

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 STPA-02 SS-15 SP-02 INR-10 L-03  
PM-05 EB-08 OES-09 /069 W  
-----012424 140555Z /11  
R 131511Z JUL 78  
FM AMEMBASSY PANAMA  
TO SECSTATE WASHDC 7932

C O N F I D E N T I A L SECTION 01 OF 02 PANAMA 04992

STADIS////////////////////////////////

E.O. 11652: GDS  
TAGS: PEPR, PN, PQ, US  
SUBJECT: HIGHLIGHTS OF PRC MEETING JULY 12, 1978

1. ESTABLISHMENT OF THE SUBCOMMITTEE FOR TREATY IMPLEMENTATION PLANNING. THE AMBASSADOR NOTED THAT THE PRC AT A PREVIOUS MEETING AGREED TO ESTABLISH A PRC SUBCOMMITTEE TO MONITOR AND PROVIDE COORDINATION BETWEEN PRC PRINCIPALS AND ON OTHER TREATY-IMPLEMENTATION ACTIVITIES. HE ALSO NOTED THAT HE HAD TRANSMITTED TO THE PRINCIPALS A DRAFT RESOLUTION ESTABLISHING SUCH A SUBCOMMITTEE AND HAD RECEIVED COMMENTS FROM THEM. HE SAID HE HAD REVIEWED THE CHANGES IN THE DRAFT PROPOSED BY GOVERNOR PARFITT AND FOUND THEM ACCEPTABLE. LT.GEN. MCAULIFFE SAID THAT HE APPROVED THE DRAFT AS AMENDED. THE AMBASSADOR THEREFORE DECLARED THE RESOLUTION APPROVED. THE SUBCOMMITTEE WILL BE COMPOSED OF REPRESENTATIVES OF THE EMBASSY (CHAIRMAN), SOUTHCOM AND PANCANAL. THE FOLLOWING PARAGRAPH OF THE RESOLUTION SETS FORTH THE FUNCTIONS OF THE SUBCOMMITTEE:

"3. THE PURPOSE OF THE SUBCOMMITTEE IS TO PROVIDE THE PRC WITH A STAFF ORGANIZATION WHICH CAN CONSULT AND COORDINATE APPROPRIATE TREATY-RELATED ISSUES AFFECTING  
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U.S. GOVERNMENT AGENCIES LOCATED ON THE ISTHMUS OF PANAMA. SPECIFICALLY, THE SUBCOMMITTEE WILL ACCOMPLISH THE FOLLOWING:

A. RESPOND TO PRC REQUESTS CONCERNING IMPLEMENTATION OF THE PROVISIONS OF THE PANAMA CANAL TREATIES AND TREATY-RELATED ISSUES OR PROBLEMS WHICH AFFECT MORE THAN ONE OF

THE AGENCIES AND REQUIRE A COORDINATED RESOLUTION.

B. BE COGNIZANT OF THE FOLLOWING CATEGORIES OF PLANS BY U.S. GOVERNMENT AGENCIES AND ADVISE THE PRC OF POTENTIAL PROBLEM AREAS RELATED TO:

(1) PLANS FOR TRANSFER OF ANY FUNCTION OR PROPERTY TO THE REPUBLIC OF PANAMA.

(2) PLANS FOR TRANSFER OF ANY FUNCTION OR PROPERTY TO OTHER U.S. GOVERNMENT AGENCIES.

(3) PLANS WHICH WOULD HAVE A MATERIAL IMPACT ON U.S.-PANAMANIAN RELATIONS.

C. PREPARE NECESSARY RESPONSES TO REQUIREMENTS LEVIED ON THE PRC."

2. COCO SOLO PORT. GOVERNOR PARFITT SAID HE HOPED TO RECEIVE THIS WEEK FROM WASHINGTON AUTHORIZATION FOR THE PANAMANIAN GOVERNMENT AND ITS CONTRACTORS TO GO FORWARD WITH THE COCO SOLO CONTAINER PORT DESIGN STUDY (NOT APPROVAL OF THE PROJECT ITSELF).

3. DEFORESTATION. GOVERNOR PARFITT SAID THAT SO FAR THE PANAMANIAN GOVERNMENT HAD PROVIDED GOOD COOPERATION IN CONFIDENTIAL

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EARLY PLANNING ON THIS PROBLEM. HE NOTED ALSO THAT THE PANAMANIAN PRESS HAS CARRIED A LARGE NUMBER OF STORIES AND EDITORIALS PUBLICIZING THE PROBLEM'S IMPORTANCE. HE SAID THAT IN THE 1979 BUDGET PANCANAL WAS INSERTING A LINE WHICH WOULD INCREASE FUNDS AVAILABLE FOR ENVIRONMENTAL PROTECTION. HE SAID CONTAINING THE DEGRADATION OF THE FORESTS WOULD BE DIFFICULT. THE CINC INDICATED HIS WILLINGNESS TO PROVIDE CERTAIN ASSISTANCE, PRINCIPALLY HELICOPTER SUPPORT, AS LONG AS THE DEMANDS WERE NOT TOO GREAT.

4. PANCANAL BUDGET COMMITTEE MEETING. THE GOVERNOR SUMMARIZED THE DELIBERATIONS OF THE BUDGET AND FINANCE COMMITTEE JULY 6 AND 7. HE SAID 1978 FINANCIAL RESULTS WERE GOOD, WITH AN EXPECTED NET INCOME OF AT LEAST \$15.8 MILLION. HE SAID THAT THE FY79 BUDGET WAS DIFFICULT, BECAUSE IT HAD PREVIOUSLY BEEN SUBMITTED ON A NO-TREATY BASIS. CONSEQUENTLY, THE DEPARTMENT OF THE ARMY WILL BE EXPLORING SOON WITH OMB THE POSSIBILITY OF ASKING CONGRESS FOR FUNDS FOR RELOCATION OF FACILITIES. HE POINTED OUT, IN ADDITION, THE PROBLEM OF MOVING BODIES TO COROZAL CEMETERY (AS REQUIRED BY THE RANDOLPH RESERVATION)

DURING THE FORTHCOMING RAINY SEASON. HE SAID EFFORTS ARE BEING MADE TO FIND A WAY TO DELAY SUCH MOVES UNTIL THE DRY SEASON IN EARLY 1980. THE GOVERNOR SAID THAT BECAUSE OF THE INCREASE IN TRAFFIC, PANCANAL IS NOW ESTIMATING THAT TOTAL PANAMANIAN GOVERNMENT INCOME FROM THE CANAL OPERATION WILL BE \$71 MILLION THE FIRST TREATY YEAR, I.E., FY 1980. HE SAID THE OUTLOOK IS FOR A \$48 MILLION OPERATING LOSS IN 1980. (THIS ASSUMES A \$71 MILLION PAYMENT TO PANAMA AND NO PAYMENT OF INTEREST TO THE TREASURY.) HE SAID THAT THE TOLL INCREASE NECESSARY TO MAKE UP THE DIFFERENCE WOULD BE DECIDED ON THE BASIS OF A THREE-YEAR PROJECTION.

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INFO OCT-01 SS-15 SP-02 PM-05 INR-10 L-03 OES-09 EB-08  
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TO SECSTATE WASHDC 7933

C O N F I D E N T I A L SECTION 02 OF 02 PANAMA 04992

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5. MCAULIFFE IN WASHINGTON. THE CINC REPORTED ON HIS RECENT TRIP TO WASHINGTON, PRIMARILY ON THE PROSPECT FOR APPROVAL OF THE MILITARY CONSTRUCTION APPROPRIATIONS PACKAGE OF \$36 MILLION, WHICH DOD IS EXPECTED TO REQUEST IN ITS APPROPRIATIONS BILL. HE SAID THAT, THOUGH THE PROVISION COULD NOT PASS ON THE HOUSE FLOOR, HE IS CAUTIOUSLY OPTIMISTIC THAT IT COULD BE APPROVED IN CONFERENCE COMMITTEE. HE SAID THAT, IN HIS DISCUSSIONS IN DOD, HE EMPHASIZED THE NEED FOR CONTINUATION OF "SOMETHING LIKE THE PRC"; HE SAID HE THOUGHT SUCH A BODY WOULD BE ESSENTIAL FOR THE ORDERLY IMPLEMENTATION OF THE TREATY.

6. IMPLEMENTATION CONTACTS WITH PANAMA. THERE WAS SOME DISCUSSION OF THE SLOWNESS OF THE IMPLEMENTATION PLANNING PROCESS IN THE LAST MONTH. THE PRINCIPALS AGREED THAT PANAMA WAS LEGITIMATELY TIED UP WITH OTHER ACTIVITIES, SUCH AS PRESIDENT CARTER'S VISIT AND THE FORTHCOMING

ELECTIONS, BUT BOTH THE CINC AND THE GOVERNOR EXPRESSED  
CONCERN THAT TOO MUCH TIME NOT BE LOST. JORDEN

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